

July 1986

FINANCIAL AUDIT

Pennsylvania Avenue Development Corporation's 1985 Financial Statements



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Comptroller General
of the United States

B-199096

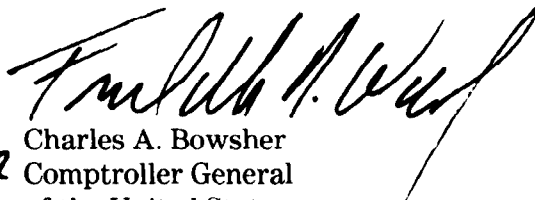
July 30, 1986

To the President of the Senate and the
Speaker of the House of Representatives

This report transmits our unqualified opinion on the Pennsylvania Avenue Development Corporation's consolidated financial statements for the year ended September 30, 1985, and our reports on the Corporation's internal accounting controls and on compliance with laws and regulations. We found no material internal control weaknesses or violations of laws and regulations that could have materially affected the Corporation's financial statements. We made our examination pursuant to the provisions of 31 U.S.C. 9105 and in accordance with generally accepted government auditing standards. Our last audit of the Corporation covered fiscal year 1983.

The Corporation is responsible for preparing and implementing a development plan for a certain area adjacent to Pennsylvania Avenue between the Capitol and the White House. To ensure that the plan is carried out, the Congress gave the Corporation the power of eminent domain and authority to regulate both private and public development, to undertake construction activities, and to enter into a wide variety of real estate and other commercial transactions.

We are sending copies of this report to the Director of the Office of Management and Budget, the Secretary of the Treasury, and the Board of Directors and the Executive Director, Pennsylvania Avenue Development Corporation.


for Charles A. Bowsher
Comptroller General
of the United States

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**Comptroller General
of the United States****B-199096**

To the Board of Directors
Pennsylvania Avenue Development Corporation

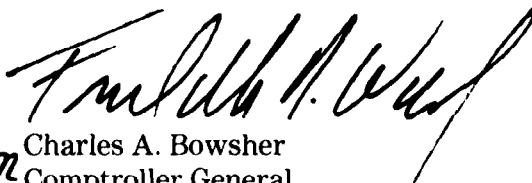
We have examined the consolidated balance sheet of the Pennsylvania Avenue Development Corporation as of September 30, 1985, and the related consolidated statements of revenue and expense, changes in invested capital, changes in cumulative results of operations, and changes in financial position for the year then ended. Our examination was made pursuant to the provisions of 31 U.S.C. 9105 and in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. As a result of the work performed during our examination of the Pennsylvania Avenue Development Corporation's financial statements, we have also included reports on the Corporation's internal accounting controls and on compliance with laws and regulations.

In our opinion, the financial statements referred to above present fairly the financial position of the Pennsylvania Avenue Development Corporation as of September 30, 1985, and the results of its operations and changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We did not examine the balance sheet and related statements of revenue and expense, changes in invested capital, changes in cumulative results of operations, and changes in financial position for the year ended September 30, 1984, and, accordingly, we express no opinion on them.

Subsequent to issuing unaudited financial statements in its 1985 annual report, the Corporation has included an additional disclosure in the audited consolidated balance sheet presented herein which relates to

donated capital. The additional disclosure increases donated capital by \$1,119,442.99, with corresponding decreases in invested capital and the cumulative results of operation of \$226,878.97 and \$892,564.02, respectively.


for Charles A. Bowsher
Comptroller General
of the United States

February 28, 1986

Report on Internal Accounting Controls

We have examined the consolidated financial statements of the Pennsylvania Avenue Development Corporation for the year ended September 30, 1985. As part of our examination, we made a study and evaluation of the system of internal accounting controls to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Corporation's financial statements. For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

- expenditure,
- financial reporting,
- property,
- revenue, and
- treasury.

Our study and evaluation included the control categories listed above, except that we did not evaluate the accounting controls over the expenditure, financial reporting, and treasury cycles because it was more efficient to expand our substantive audit tests. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting controls taken as a whole or on any of the categories of controls identified above.

The management of the Corporation is responsible for establishing and maintaining a system of internal accounting controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation, made for the limited purpose described in the first paragraph, would not necessarily disclose material weaknesses in the system. Accordingly, we do not express an opinion on the Corporation's system of internal accounting controls taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

During the course of our examination, we identified a number of opportunities for improving internal controls and procedures. Through a separate management letter, we will communicate our suggestions to the Pennsylvania Avenue Development Corporation.

Report on Compliance With Laws and Regulations

We have examined the consolidated financial statements of the Pennsylvania Avenue Development Corporation for the year ended September 30, 1985. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances.

In our opinion, the Pennsylvania Avenue Development Corporation complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected the Corporation's financial statements.

Nothing came to our attention in connection with our examination that caused us to believe that the Corporation was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

Financial Statements

Consolidated Balance Sheet

As of September 30, 1985 and 1984

	1985	1984 Unaudited
<u>Assets</u>		
Cash (Note 3)	<u>\$ 19,235,674.55</u>	<u>\$ 19,402,668.20</u>
Accounts Receivable (Note 4)	<u>459,884.71</u>	<u>37,557.70</u>
Property and Equipment:		
Land (Note 5)	95,033,590.91	88,116,196.07
Construction in Progress (Note 6)	73,153,372.22	68,537,697.93
Equipment, Furniture & Fixtures, Net (Note 7)	85,171.23	97,905.33
Leasehold Improvements, Net (Note 8)	<u>91,762.02</u>	<u>468,809.93</u>
Total Property & Equipment	<u>168,363,896.38</u>	<u>157,220,609.26</u>
<u>Other Assets</u>		
Capital Contribution - Carley	100.00	-0-
Rent Deferral (Note 2)	1,345,410.48	1,099,710.48
Interest Deferral (Note 2)	<u>766,316.99</u>	<u>538,095.37</u>
Total Other Assets	<u>2,111,827.47</u>	<u>1,637,805.85</u>
Total Assets	<u>\$190,171,283.11</u>	<u>\$178,298,641.01</u>

The accompanying notes are an integral part of these financial statements.

Financial Statements

	1985	1984 <u>Unaudited</u>
<u>Liabilities</u>		
Accounts Payable (Note 9)	\$ 130,664.52	\$ 244,231.22
Notes Payable to U.S. Treasury (Note 10)	57,889,622.26	54,729,256.26
Accrued Interest Payable (Note 10)	23,685,433.69	15,982,200.47
Accrued Annual Leave	80,258.87	83,397.52
Other Liabilities	<u>50,325.35</u>	<u>325.35</u>
Total Liabilities	<u>81,836,304.69</u>	<u>71,039,410.82</u>
<u>Investment of U.S. Government</u>		
Unexpended Appropriations (Note 11)	19,099,531.64	19,191,179.09
Invested Capital (Note 12)	96,944,203.81	92,534,556.14
Donations and Other Items	1,119,442.99	923,778.13
Cumulative Results of Operations	(<u>8,828,200.02</u>)	(<u>5,390,283.17</u>)
Total Investment of U.S. Government	<u>108,334,978.42</u>	<u>107,259,230.19</u>
Total Liabilities and Investments	<u>\$190,171,283.11</u>	<u>\$178,298,641.01</u>

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Revenue and Expense

Fiscal Years Ended September 30, 1985 and 1984

	1985	1984 Unaudited
<u>Revenue and Expended Appropriations</u>		
<u>Revenue</u>		
Sale of Land (Note 13)	\$ -0-	\$ 9,304,833.88
Rental Income (Note 14)	4,871,111.60	4,234,082.74
Interest Income (Note 15)	290,849.89	900,037.50
Miscellaneous	239,744.19	546,497.55
Total Revenue	5,401,705.68	14,985,451.67
<u>Expended Appropriations</u>	<u>2,235,532.83</u>	<u>2,436,110.47</u>
Total Revenue and Expended Appropriations	<u>7,637,238.51</u>	<u>17,421,562.14</u>
<u>Expenses</u>		
Cost of Land Sold (Note 13)	-0-	8,585,658.83
Interest Expense	7,424,454.12	6,627,419.22
Operating Expenses-Lansburgh's (Note 16)	787,518.40	495,878.45
Personnel Compensation and Benefits (Note 17)	1,408,886.61	1,432,799.78
Property Management Expense (Note 18)	300,379.05	314,983.24
Administrative Expenses	522,357.87	643,670.11
Depreciation Expense	392,018.22	373,245.27
Miscellaneous Expenses	4,462.09	117,916.48
Total Expenses	<u>10,840,076.36</u>	<u>18,591,571.38</u>
Net Income/(Loss)	<u>\$(3,202,837.85)</u>	<u>\$(1,170,009.24)</u>

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Invested Capital

Fiscal Years Ended September 30, 1985 and 1984

	1985	1984 <u>Unaudited</u>
Invested Capital at Start of Year	\$ 92,534,556.14	\$83,333,787.93
Increase (Decrease) in Construction in Progress	4,436,815.81	9,238,691.82
Increase (Decrease) in Equipment, Furniture, and Fixtures, Net	(12,306.79)	(20,063.06)
(Increase) Decrease in Accrued Annual Leave	3,138.65	(17,860.55)
Prior Period Adjustments	<u>(18,000.00)</u>	<u>-0-</u>
Invested Capital at End of Year	<u>\$ 96,944,203.81</u>	<u>\$92,534,556.14</u>

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Cumulative Results of Operations

Fiscal Years Ended September 30, 1985 and 1984

	1985	1984 Unaudited
Cumulative Results of Operations at Start of Year	<u>\$(5,390,283.17)^{B/}</u>	<u>\$(3,562,788.91)</u>
Net Income/(Loss)	<u>(3,202,837.85)</u>	<u>(1,170,009.24)</u>
Subtotal	<u>(8,593,121.02)</u>	<u>(4,732,798.15)</u>
Amounts Reclassified to Donations and Other Items ^{A/}	<u>(235,079.00)^{C/}</u>	<u>(657,485.02)</u>
Cumulative Results of Operations at End of Year	<u><u>\$(8,828,200.02)</u></u>	<u><u>\$(5,390,283.17)</u></u>

Note A. The equity section of the Balance Sheet shows an increase to the account Donations and Other Items amounting to \$235,079.00 in Fiscal Year 1985 and \$657,485.02 in Fiscal Year 1984.

Note B. Figure reflects the 1984 cumulative reclassification adjustment.

Note C. Adjustment reflects reclassification of 1985 financing sources.

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Financial Position

Fiscal Years Ended September 30, 1985 and 1984

	1985	1984 Unaudited
<u>Funds Provided by</u>		
Net Income (Loss)	\$(3,202,837.85)	\$(1,170,009.24)
Expenses Not Requiring Funds:		
Depreciation	410,018.22	373,245.27
Borrowings from U.S. Treasury	3,160,366.00	5,482,090.00
Congressional Appropriations	6,682,000.00	11,875,000.00
Expended Appropriations	(2,235,532.83)	(2,436,110.47)
Increase (Decrease) in Accrued Annual Leave	(3,138.65)	17,860.55
Increase in Interest Payable	9,213,509.17	8,581,529.43
Increase (Decrease) in Other Liabilities	50,000.00	(1,341.72)
Increase (Decrease) in Accounts Payable	(113,566.70)	(541,433.07)
Prior Period Adjustments (Note 19)	(18,000.00)	(849,126.97)
Total Funds Provided	<u>13,942,817.36</u>	<u>21,331,703.78</u>
<u>Funds Applied to:</u>		
Payment of Principal	-0-	6,900,500.90
Payment of Interest	1,510,275.95	4,785,769.09
Increase in Construction in Progress	4,665,674.29	9,665,142.52
Increase in Land	6,917,394.84	2,822,382.96
Purchase of Equipment	20,236.21	17,706.99
Refund to U.S. Treasury	99,881.09	223,509.06
Increase in Leasehold Improvements	-0-	50,000.00
Increase in Rent and Interest Deferral	473,921.62	191,180.98
Increase (Decrease) in Accounts Receivable	422,327.01	(130,270.96)
Increase in Capital Contribution	100.00	-0-
Total Funds Applied	<u>14,109,811.01</u>	<u>24,525,921.54</u>
Increase (Decrease) in Funds	<u>\$(166,993.65)</u>	<u>\$(3,194,217.76)</u>

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

As of September 30, 1985 and 1984

(1) Organization

The Pennsylvania Avenue Development Corporation (Corporation), a wholly owned Government Corporation, was created by the Congress under the Pennsylvania Avenue Development Corporation Act of 1972. The Act provided for the preparation and implementation of a development plan for certain areas adjacent to Pennsylvania Avenue between the Capitol and the White House.

Construction and development is a joint venture between the Federal Government and private industry. The Corporation is financing a program of extensive public improvements and expanded pedestrian amenities. To facilitate private development, the Corporation buys and assembles properties in the area and leases or sells them back to private investors for development according to the Pennsylvania Avenue Plan. A private investor may also purchase land directly from a landowner and develop it in accordance with the Plan.

Pennsylvania Avenue Development Corporation utilizes four separate funds for its operations:

- The Salaries and Expense Fund is an annual appropriation to pay salaries and the administrative expenses of the Corporation.
- The Land Acquisition and Development Fund is a revolving fund that provides the Corporation with resources with which to assist prospective developers in their efforts to assemble real estate for development projects consistent with the development plan. The Corporation may borrow money from the U.S. Treasury. Such borrowings are repaid to the Treasury with revenues from selling or leasing of acquired property to private developers.
- The Public Development Fund utilizes multi-year appropriations to pay for public development activities and projects. These public service costs include: public improvements, historic preservation, and relocation assistance to displaced tenants of buildings purchased by the Corporation.
- The Gifts and Donations Fund accounts for contributions from individuals, corporations, and private organizations to the Corporation and the related disbursements.

The Corporation's program is expected to be complete by 1992, at which time PADC's legislation provides for successor agencies to assume responsibility for maintenance of properties and public improvements, and continuing conformance to the Plan.

(2) Summary of Significant Accounting Policies

Principles of Consolidation - The consolidated financial statements include all funds of the Pennsylvania Avenue Development Corporation. Inter-fund and inter-operational transactions and balances have been eliminated.

Basis of Accounting - Assets, liabilities, revenue and expenses are recognized on the accrual basis of accounting following generally accepted accounting principles.

Land - The Land account includes charges for direct land purchase costs, appraisals, feasibility studies, title searches, insurance, fees, surveys, property owner reimbursements and demolition of buildings. The Corporation considers buildings acquired through land purchases to have no economic value as the buildings will be demolished and, therefore, the buildings are not recorded as a separate asset.

Accounting for Interest Costs - Interest charges incurred on borrowings from the U.S. Treasury are considered a cost of acquiring land and are, therefore, capitalized under the asset account "land". When a property achieves its final development and is substantially ready for sale or transfer, the interest is considered an operating expense of the accounting period.

Rent Deferral - The Corporation allows developers of two major sites to defer 50% of current rent charges on leased land during construction and the first year of operation following the construction period upon compliance with the Affirmative Action policies adopted by the Corporation's Board of Directors. Interest on the rent deferred is accrued periodically.

Depreciation - Depreciation is computed on the straight-line method based on the estimated useful life of the assets, which is 12 years for furniture, 5 years for equipment, and throughout the term of the lease, in the case of improved property.

Leases

The Corporation, as lessor, has retained the risks and benefits of ownership and accounts for its leases as operating leases. Rental income is recognized over the term of the lease as it is earned.

Restatement of 1984 Amounts

The financial statements for Fiscal Year 1984 have been reformatted to conform with the presentation of the Fiscal Year 1985 financial statements.

(3) Cash

Cash as of September 30, 1985 and 1984 is comprised of the following:

	1985	1984 Unaudited
Appropriation Fund Balances with U.S. Treasury	\$19,108,813.01	\$19,283,103.91
Donations	126,858.13	119,531.60
Revolving Fund	3.41	32.69
Total Cash	<u>\$19,235,674.55</u>	<u>\$19,402,668.20</u>

(4) Accounts Receivable

Accounts Receivable as of September 30, 1985 and 1984 is comprised of the following:

	1985	1984 Unaudited
Government	\$430,076.62	\$19,240.56
Non-Government	<u>30,308.09</u>	<u>18,817.14</u>
Subtotal	460,384.71	38,057.70
Less: Allowance for Uncollectible Amounts	<u>500.00</u>	<u>500.00</u>
Accounts Receivable (Net)	<u>\$459,884.71</u>	<u>\$37,557.70</u>

(5) Land

Land as of September 30, 1985 and 1984 is comprised of the following:

	1985	1984 Unaudited
Land Held for Lease and Resale	\$66,938,245.54	\$61,950,631.06
Land Improvements	21,429,245.29	21,429,245.29
Capitalized Interest on Land	<u>6,666,100.08</u>	<u>4,736,319.72</u>
Total Land	<u>\$95,033,590.91</u>	<u>\$88,116,196.07</u>

(6) Construction-in-Progress represents capital improvements to streets, parks, side-walks and other related improvements located within the area being developed. The Corporation has adopted the percentage of completion method in recording the charges to the Construction-in-Progress account. When the capital improvements projects are completed, the account is reclassified as land.

(7) Equipment, Furniture, and Fixtures

Equipment, Furniture, and Fixtures as of September 30, 1985 and 1984 is comprised of the following:

	1985	1984 Unaudited
Acquisition at Cost	\$296,421.84	\$273,948.01
Less: Accumulated Depreciation	<u>211,250.61</u>	<u>176,042.68</u>
Equipment, Furniture, and Fixtures (Net)	<u>\$ 85,171.23</u>	<u>\$ 97,905.33</u>

(8) Leasehold Improvements

Leasehold Improvements as of September 30, 1985 and 1984 is comprised of the following:

	1985	1984 Unaudited
Improvements at Cost	\$1,455,620.00	\$1,455,620.00
Less: Accumulated Depreciation	<u>1,363,857.98</u>	<u>986,810.07</u>
Leasehold Improvements (Net)	<u>\$ 91,762.02</u>	<u>\$ 468,809.93</u>

(9) Accounts Payable

Accounts Payable as of September 30 1985 and 1984 is comprised of the following:

	1985	1984 Unaudited
Government	\$ 4,232.39	\$ 3,670.05
Non-Government	<u>126,432.13</u>	<u>240,561.17</u>
Total Accounts Payable	<u>\$130,664.52</u>	<u>\$244,231.22</u>

(10) Notes and Interest Payable to the U.S. Treasury

At September 30, 1985, the principal amount of \$5,482,090.00 and interest of \$628,213.82 was due to the U.S. Treasury within one year. At September 30, 1984, the Corporation had no outstanding notes payable to the U.S. Treasury within one year. However, the Corporation has the option of extending the due date of principal and interest up to a maximum of 40 years, pursuant to the borrowing agreement between the Corporation and the U.S. Treasury.

At the end of Fiscal Year 1985, PADC had borrowed funds from the U.S. Treasury totalling \$76,153,456.61. Of this amount, the Corporation repaid \$18,263,834.35 to the U.S. Treasury, leaving a balance of outstanding principal as of September 30, 1985 of \$57,889,622.26. The details of outstanding notes payable and accrued interest as of September 30, 1985 are available upon request to the Corporation.

The long-term notes which mature in each of the five years succeeding September 30, 1985 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
1986	\$5,482,090.00
1987	8,194,616.00
1988	-0-
1989	-0-
1990	-0-

(11) Unexpended Appropriations

Unexpended Appropriations as of September 30, 1985 and 1984 was comprised of the following:

	<u>1985</u>	<u>1984</u> <u>Unaudited</u>
Unobligated	\$11,425,720.96	\$10,645,655.20
Undelivered Orders	<u>7,673,810.68</u>	<u>8,545,523.89</u>
Total Unexpended Appropriations	<u>\$19,099,531.64</u>	<u>\$19,191,179.09</u>

(12) Invested Capital

Invested Capital as of September 30, 1985 and 1984 was derived from the following:

	<u>1985</u>	<u>1984</u> <u>Unaudited</u>
Appropriation for Land and Land Improvements	\$96,940,003.67	\$92,521,187.86
Appropriations for Equipment	<u>4,200.14</u>	<u>13,368.28</u>
Total Invested Capital	<u>\$96,944,203.81</u>	<u>\$92,534,556.14</u>

(13) Sale of Land

There was no sale of real estate during the year ended September 30, 1985. However, during Fiscal Year 1984, the Corporation sold the following properties:

	<u>1984</u>		
<u>Property</u>	<u>Sales Price</u>	<u>Cost</u>	<u>Gain/(Loss)</u> <u>on Sale</u>
Square 459	\$9,304,833.88	\$8,585,658.83	\$719,175.05

(14) Rental Income

Rental income was generated from long-term leases of Corporation properties to developers, short-term leasing of properties awaiting redevelopment, and the lease of Lansburgh's Building to the District Government. Rental Income for Fiscal Years 1985 and 1984 was derived from the following:

	<u>1985</u>	<u>1984</u> <u>Unaudited</u>
Government	\$1,869,966.25	\$1,371,068.00
Non-Government	<u>3,001,145.35</u>	<u>2,863,014.74</u>
Total Rent Income	<u>\$4,871,111.60</u>	<u>\$4,234,082.74</u>

The future minimum leasing revenues on the long-term operating leases are as follows:

1986	\$ 2,902,350.00
1987	2,902,350.00
1988	2,902,350.00
1989	2,902,350.00
1990	2,902,350.00
After 1990	<u>216,762,350.00</u>
Total Future Minimum Rentals	<u>\$231,274,100.00*</u>

*Total future minimum rentals do not include additional revenues accruing to PADC from potential participation in project profits and repayments from deferred rent, nor reductions to revenues if justified by the terms of the lease.

(15) Interest Income

The Corporation earns interest on the rent developers are allowed to defer and, in accordance with an agreement with the U.S. Treasury, on its daily cash balance at Treasury in the Land Acquisition Fund. Interest Income for Fiscal Years 1985 and 1984 was as follows:

	1985	1984 <u>Unaudited</u>
On Daily Cash Balance at U.S. Treasury	\$ 62,628.27	\$462,004.12
On Rent Deferred	228,221.62	191,180.98
On Discount of Prepayment of Loans	<u>-0-</u>	<u>246,852.40</u>
Total Interest Income	<u>\$290,849.89</u>	<u>\$900,037.50</u>

(16) Operating Expenses - Lansburgh's

The Corporation leases the former Lansburgh's Department Store to the D.C. Government and records the annual gross rent and expenses associated with the lease on its books. The D.C. Government is allowed credit for the cost of certain repairs, maintenance, operating expenses, and capital improvements associated with the lease and compensates the Corporation in the amount of the net lease. The lease was to terminate on January 31, 1986 but has been extended through mid-1986.

(17) Personnel Compensation and Benefits

The employees of the Pennsylvania Avenue Development Corporation are covered by the United States Civil Service Retirement Plan.

The cost of the Corporation's contribution to the pension plan is included in the personnel compensation and benefits expenditures. All permanent, full-time and part-time employees who were employed by the Corporation prior to January 1, 1984, are covered by the contributory Civil Service Retirement Plan. The Corporation makes bi-weekly contributions to the plan equal to the employee's bi-weekly contributions. Employees hired after January 1, 1984 are covered by and make contributions in accordance with the Social Security Act; however, they also contribute 1.3% and the Corporation 7% to the Civil Service Retirement Plan.

The cost of the Corporation's contribution to the retirement plan amounted to \$73,589.76 in Fiscal Year 1985 and \$82,031.89 in Fiscal Year 1984.

(18) Property Management Expense

The Corporation manages its owned real properties that have not been redeveloped. The Corporation collects the rent and pays the expenses associated with these properties. In addition, the Corporation incurs other property management expenses which are associated with the parks, plazas, and other public improvements within the Corporation project area. Property management expense for Fiscal Years 1985 and 1984 is comprised of the following:

	1985	1984 <u>Unaudited</u>
Property Management Expenses	\$ 28,633.70	\$ 65,353.94
Other Property Management Expenses	<u>271,745.35</u>	<u>249,629.30</u>
Total	<u>\$300,379.05</u>	<u>\$314,983.24</u>

(19) Prior Period Adjustments

In Fiscal Year 1985, an adjustment of \$18,000.00 was made to correct an error in the depreciation expense account. In Fiscal Year 1984, an adjustment of \$849,126.97 was made to correct an error in the Construction-in-Progress account.

(20) Restrictions

In addition to the statutory controls established by Government Corporation Control laws (31 U.S.C. 9101 through 9109), PADC is subject to management oversight by the Office of Management and Budget. Such oversight could affect PADC's financial position or operating results in a manner that differs from those that might have been obtained if PADC were autonomous.

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Washington, D.C. 20548

Official Business
Penalty for Private Use \$300

First-Class Mail Postage & Fees Paid GAO Permit No. G100
